Canada Iron

50th

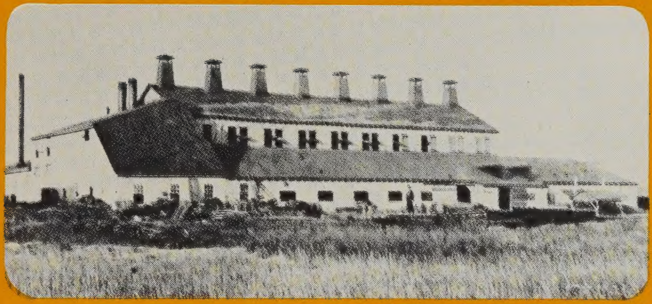
ANNUAL

REPORT

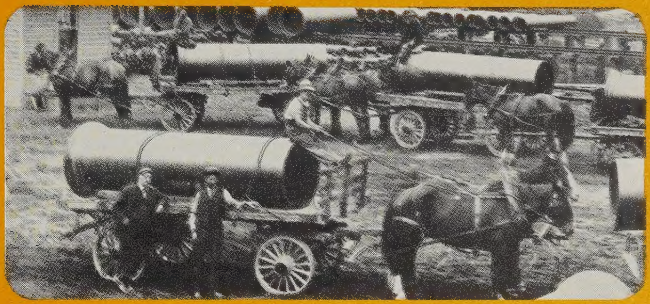
1965

Canada Iron

1883 / 1908 / 1915 / **1965**



1897 — *Canada Iron Plant—Trois-Rivières, Que.*



Shipment of Canada Iron water pipe in the early days.

On the occasion of the company's fiftieth annual report to shareholders, it is perhaps of interest to review the company's historical growth in Canada, and its early beginnings which in fact extend well beyond the half century mark.

The early ancestry of the company is directly linked with the Radnor Iron Works which were established in 1854 near Trois-Rivières, Quebec.

The wheels for the first railroad cars of the Northern Railroad between Quebec and Montreal, and the Canadian Pacific Railway, were poured at the Radnor Iron Works. Stoves, cauldrons, pots and pig iron were also poured and shipped to Trois-Rivières on sleighs in the winter. At that time the railroad did not exist. In 1880, rolling mills were added to make bar iron of various sizes, axes, scythes, etc., and later a car wheel foundry was established.

In the year 1883 the MacDougalls of the famous St. Maurice iron works (Vieilles Forges) linked their interests with those of the Drummonds who owned several plants in the country, to form the Canada Iron Furnace Company. Four Drummond brothers made up this famous family of financiers: George, James T., Thomas and Dr. W. H. Drummond. The latter was a poet who wrote some very original verse on the St. Maurice river and Lake St. Peter. The city of Drummondville was named after the Doctor's family who owned the Radnor Iron Works.

In 1889 the Canada Iron Furnace Company, Limited acquired the Radnor Iron Works together with extensive property. The construction of a new furnace was started and on March 25, 1892 the Montreal Gazette made the following announcement:

"There has been put in operation at the Radnor Iron Works a new furnace, the largest in Canada, of a capacity of 24 tons daily but which can be increased to 40 tons. At the opening ceremony the Curé of St. Maurice officiated, Mrs. George Drummond starting the fire. Mr. P. H. Griffin, President of the Company, is one of the iron kings of America. The other Directors are T. J. Drummond and J. T. McCall, Montreal. About 1000 men are to be employed."

The company continued to produce charcoal pig iron at Radnor until 1909 when the works were closed down and not reopened. The main trouble was the difficulty of finding readily accessible fresh ore bodies.

In 1908 Canada Iron Corporation, Limited was incorporated and consisted of an amalgamation of Canada Iron Furnace Company, Canada Iron and Foundry Company, John MacDougall Company and the Annapolis Iron Company. Shortly after incorporation, the company acquired all the outstanding capital stock of the Londonderry Iron and Mining Company. The new entity was an ambitious endeavour with fourteen plants from Annapolis, Nova Scotia to Fort William, Ontario.

In 1915 the company was reorganized and incorporated under its present name, Canada Iron Foundries, Limited. During the period between World War I and II, many changes took place in the company; of the original assets acquired in 1908, only the plant at Trois-Rivières is operating today.

In 1931 through the acquisition of three small Montreal based companies, the company entered the concrete products business—in 1952 the company acquired a major manufacturer of railway track maintenance equipment and rotating electrical equipment. Commencing in 1954 the company entered the structural steel fabricating business by acquiring a number of firms whose activities extended from coast to coast. At present, there are 18 company plants across Canada.

Thus Canada Iron moved away from the mining and smelting of iron ores and gradually, through the planned expansion of its own manufacturing facilities and the acquisition of subsidiary companies, became one of Canada's largest producers of a diversified line of capital goods. Today there are no major industrial markets in the country's economy that are not served by this Canadian-owned company.

DIRECTORS

D. W. AMBRIDGE,
Chairman of the Board, Abitibi Power & Paper Co. Ltd., Toronto, Ont.

HON. F. PHILIPPE BRAIS, Q.C.,
Partner, Brais, Campbell, Pepper & Durand, Montreal, P.Q.

C. W. CARRY,
Vice-President, Canada Iron Foundries, Limited, Edmonton, Alta.

ROSS CLARKSON,*
Honorary Chairman of the Board, The Royal Trust Company, Montreal, P.Q.

J. S. DINNICK,
President, McLeod, Young, Weir & Co. Ltd., Toronto, Ont.

C. L. GUNDY,
President, Wood, Gundy & Co. Ltd., Toronto, Ont.

SIDNEY HOGG,*
Senior Vice-President, Canada Iron Foundries, Limited, Vancouver, B.C.

J. G. KIRKPATRICK, Q.C.,*
Partner, Howard, Cate, Ogilvy, Bishop, Cope, Porteous & Hansard, Montreal, P.Q.

H. J. LANG,*
President, Canada Iron Foundries, Limited, Montreal, P.Q.

M. W. MACKENZIE,*
Chairman of the Board, Chemcell (1963) Limited, Montreal, P.Q.

A. D. McCALL,
Chairman of the Board, Drummond, McCall & Co. Ltd., Lachine, P.Q.

H. E. McKEEN,*
Senior Vice-President, Canada Iron Foundries, Limited, Montreal, P.Q.

T. F. RAHILLY,*
Honorary Chairman, Canada Iron Foundries, Limited, Toronto, Ont.

F. A. SHERMAN,
Chairman of the Board, Dominion Foundries & Steel Ltd., Hamilton, Ont.

*Member of Executive Committee

OFFICERS

H. J. LANG,
President

SIDNEY HOGG,
Senior Vice-President

H. E. McKEEN,
Senior Vice-President

R. J. BAILIE,
Executive Vice-President

R. K. CARTY,
Executive Vice-President

P. M. DRAPER,
Vice-President and Secretary

C. W. CARRY,
Vice-President

D. J. LaFONTAINE,
Vice-President

M. A. LEISHMAN,
Vice-President

R. LYLE,
Vice-President

F. E. MILLER,
Vice-President

G. D. TURNBULL,
Vice-President

W. D. MONCUR,
Treasurer

REGISTRAR, THE ROYAL TRUST COMPANY,
Montreal, Toronto, Halifax, Winnipeg, Vancouver.

TRANSFER AGENT, MONTREAL TRUST COMPANY,
Montreal, Toronto, Halifax, Winnipeg, Vancouver.

Canada Iron

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1965

The fiftieth annual general meeting of Shareholders will be held at the Queen Elizabeth Hotel, Montreal, P.Q., on the 23rd March, 1966, at 11.00 o'clock in the forenoon.

CANADA IRON FOUNDRIES, LIMITED
1121 Place Ville Marie, Montreal 2, Quebec

Highlights

	1965	1964
Sales	$133,867,306	$112,402,000
Net Earnings	5,183,196	3,536,276
Shareholders' Equity	33,953,486	30,486,669
Bank Advances and Funded Debt	22,411,173	18,974,604
Working Capital	18,237,575	15,016,837
Capital Expenditures	6,096,000	6,876,000
Depreciation	3,292,073	2,874,391
Earnings Per Common Share	6.19	4.15
Cash Flow Per Common Share	10.23	7.69
Dividends Per Common Share	1.75	1.25
Book Value Per Common Share	37.74	32.86
Net Earnings as % of Sales	3.9	3.2
Net Earnings as % of Common Shareholders' Equity	16.4	12.6

The common share figures in the above "Highlights" and in the "Statistical Review", do not reflect the increase in the number of shares created by the share subdivision effective January 31, 1966.

Directors' report to the shareholders

In presenting the 50th Annual Report to the Shareholders it is a pleasure to note that the results for the fiscal year 1965 exceeded all former records of the company as net profits advanced a further 47% and sales increased 19% over the previous year. The upward trend in earnings and volume can be attributed to benefits derived from the consolidation and realignment of operations and extensive expenditures for plant improvements, combined with a high level of construction and industrial expansion.

Net profits for the year in terms of earnings per common share amounted to $6.19 compared with $4.15 for 1964. The common share quarterly dividend rate was increased at mid-year bringing the total payment in 1965 to $1.75 per share. Based on last year's results, coupled with excellent prospects for the future, an extra 25¢ dividend was paid on January 3rd with the first regular quarterly dividend in 1966. Preferred share dividends paid during the year amounted to $144,373. After deducting all dividend payments from current earnings and adding the net proceeds from the sale of properties, the book value increased a further $4.88 per common share during the year.

A By-law authorizing a three-for-one sub-division of the common shares was sanctioned at a Special General Meeting of Shareholders on January 18, 1966 and became effective January 31, 1966. It was considered that a greater number of shares in a lower price range would be in the best interests of both the shareholders and the company. The new quarterly dividend rate payable on April 1, 1966 to shareholders of record March 1, 1966 will be 25¢ per share. This is a 50% increase over the previous rate which has been in effect since July 1965.

New opportunities to serve the needs arising from growth in industry and expansion of natural resources are being constantly and actively investigated. Research and product development as well as acquisition of established businesses play a leading role in the attainment of the company's financial and marketing objectives. The company entered the plastic pipe field through the acquisition of Northern Resins Limited, a Quebec plastic pipe manufacturing company. Results of this operation have been very satisfactory and are included in the accompanying financial statements. Having attained a leading position in sales of railway track maintenance equipment in the United States market and as our present production capacity is inadequate to meet requirements, the company is constructing a new manufacturing plant in Columbia, South Carolina, for its wholly-owned subsidiary, Tamper, Inc. This expansion made it desirable to split the former Tamper Division into two groups, the Electrical Division with Mr. Kenneth Hague as General Manager and the Railway Division with Mr. J. K. Stewart as General Manager and also President of Tamper, Inc.

Total capital expenditures for the year were two million dollars less than estimated as it was necessary to postpone a number of projects in order to meet urgent production requirements. This carry-over added to expenditures already planned will bring the total to eight million dollars in 1966. As well as the major expenditure for the new U.S. plant, sizeable outlays will be made for the expansion of the ingot mould foundry and a new stool foundry in Hamilton and the completion of a modernization programme at the Trois-Rivières plant. Expenditures in all divisions should result in increased productivity and efficiency with better cost control and improved profit margins. Employment at all of the company's manufacturing plants increased throughout the year. There was a significant rise in shipments of electrical products and iron and concrete pipe. Demands for fabricated steel increased sharply, accounting for a substantial portion of the company's record sales volume.

The company entered the new year with an unprecedented backlog of unfilled orders of 59 million dollars and expects a high level of activity to continue throughout 1966. The threat of rising costs in many sectors without the prospect of compensating price increases presents a further challenge to maintain and improve profits. However, at this time, conditions appear to favour steady employment, sustained growth, and another good year for your company.

After completing fourteen years of service as President and Chairman, Mr. T. F. Rahilly retired on March 25, 1965 and was elected Honorary Chairman. Mr. Ross Clarkson, a senior Vice-President since 1956, also retired as an active officer. Their valuable advice and experience continues to be available as members of the Board of Directors and the Executive Committee.

Our employees are to be commended for their efforts which resulted in the substantial gains of the past year. It is with pleasure that the directors record their appreciation for these services.

On behalf of the Board,

H. J. Lang

President

Montreal, Quebec
February 25, 1966

CONSOLIDATE

As at December 31, 1965 (wi

ASSETS

	1965	1964
Current Assets		
Cash	$ 795,791	$ 680,383
Government guaranteed bonds—at cost (quoted value 1965—$205,000; 1964—$206,000)	224,683	224,683
Accounts receivable	29,469,060	25,374,898
Inventories—at the lower of cost or net realizable value	24,909,780	19,862,189
Prepaid expenses	364,073	338,104
Total current assets	55,763,387	46,480,257
Investment in other Companies		
Shares—at cost	843,920	843,920
Fixed Assets		
Property, plant and equipment—at cost	53,987,208	51,561,257
Accumulated depreciation	30,481,379	29,154,967
	23,505,829	22,406,290
Unamortized Debenture Discount	211,162	236,620
	$80,324,298	$69,967,087

Signed on behalf of the Board

H. J. Lang
Ross Clarkson } directors

February 10, 1966

AUDITORS' REPORT TO THE SHAREHOLDERS. *We have examined the consolidated balance sheet of Canada Iron Foundries, Limited and subsidiary companies as at December 31, 1965 and the consolidated statements of earnings, retained earnings and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.*

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings, retained earnings and source and application of funds, when read in conjunction with the notes thereto, present fairly the consolidated financial position of the companies as at December 31, 1965 and the consolidated results of their operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.
Chartered Accountants

LANCE SHEET

parative figures for 1964)

LIABILITIES

	1965	1964
Current Liabilities		
Bank advances	$16,819,173	$11,037,604
Accounts payable and accrued liabilities	17,612,751	14,380,304
Dividends	644,788	344,955
Income taxes	1,802,100	3,355,555
Funded debt maturing within one year	647,000	2,345,000
Total current liabilities	37,525,812	31,463,418
Deferred Income Taxes	3,900,000	2,425,000
Funded Debt—not maturing within one year (see schedule)	4,945,000	5,592,000
Total liabilities	46,370,812	39,480,418
SHAREHOLDERS' EQUITY		
Preferred Shares		
Authorized—		
100,000 preferred shares of $100 par value		
Issued and fully paid—see Note 1—		
32,360 4¼% cumulative convertible redeemable preferred shares 1956 series	3,236,000	3,812,000
Common Shares		
Authorized—		
2,000,000 common shares of $10 par value		
Issued and fully paid—see Note 2—		
813,874 common shares	8,138,740	8,118,740
Retained Earnings—see Note 1—	22,578,746	18,555,929
	33,953,486	30,486,669
	$80,324,298	$69,967,087

NOTES:

1. *During the year, preferred shares of a par value of $576,000 were redeemed. The retained earnings include an amount of $1,039,500 which has been set aside as required by the Canada Corporations Act, equal to the par value of the preferred shares redeemed to date.*
2. *During the year, 2,000 common shares were issued for cash under an option granted to an officer to purchase shares at $25 a share in instalments to 1974. At December 31, 1965 the company had reserved 16,000 common shares under this option.*

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended December 31, 1965 (with comparative figures for 1964)

	1965	1964
Sales	$133,867,306	$112,402,000
Costs and Expenses		
Cost of sales, selling and administrative expenses	118,924,834	101,718,985
Directors' fees, and remuneration of officers who are directors	338,000	344,950
Interest on funded debt	449,991	499,559
Amortization of debenture discount	25,458	25,458
Depreciation of property, plant and equipment	3,292,073	2,874,391
	123,030,356	105,463,343
	10,836,950	6,938,657
Other Income		
Income from investments	72,749	189,349
Profit on disposal of fixed assets	39,357	51,355
Profit on redemption of preferred shares	34,140	46,915
Premium on issue of common shares	30,000	30,000
	176,246	317,619
	11,013,196	7,256,276
Provision for Income Taxes	5,830,000	3,720,000
Net Earnings for the Year	$ 5,183,196	$ 3,536,276

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1965 (with comparative figures for 1964)

	1965	1964
Balance at Beginning of Year	$18,555,929	16,295,990
Net earnings for the year	5,183,196	3,536,276
Profit on disposal of Montreal property	910,918	—
	24,650,043	19,832,266
Dividends—		
On 4¼% preferred shares	144,373	162,010
On common shares	1,728,732	1,114,327
	1,873,105	1,276,337
	22,776,938	18,555,929
Excess of cost over book value of shares of subsidiary acquired during the year	198,192	—
Balance at End of Year	$22,578,746	$18,555,929

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1965	1965	1964
Funds were provided from:		
Net earnings for the year	$5,183,196	$3,536,276
Charges not requiring the outlay of funds:		
Depreciation	3,292,073	2,874,391
Amortization of debenture discount	25,458	25,458
Par value of common shares issued during the year	20,000	20,000
Increase (Decrease) in deferred income taxes	1,475,000	(125,000)
	9,995,727	6,331,125
Funds were applied to:		
Fixed assets—additions less proceeds from disposals	3,480,694	6,043,599
Funded debt maturing within one year	647,000	2,345,000
Par value of preferred shares redeemed	576,000	463,500
Dividends on preferred and common shares	1,873,105	1,276,337
Excess of cost over book value of shares of subsidiary	198,192	—
	6,774,991	10,128,436
Increase (Decrease) in Working Capital	3,220,736	(3,797,311)
Working Capital—December 31, 1964	15,016,839	18,814,150
Increase (Decrease) in working capital	3,220,736	(3,797,311)
Working Capital—December 31, 1965	$18,237,575	$15,016,839

SCHEDULE OF FUNDED DEBT

As at December 31, 1965 (with comparative figures for 1964)	1965	1964
4¾% Sinking fund debentures, series "A", due December 15, 1965	$3,500,000	$3,500,000
Sinking fund requirements— $400,000 on December 15, 1961 to 1964		
Redeemed to date	3,500,000	1,600,000
	—	1,900,000
5¾% Sinking fund debentures, series "B", due April 15, 1969	1,652,000	1,652,000
Sinking fund requirements— $ 70,000 on April 15, 1958 to 1965, $272,000 on April 15, 1966 to 1968		
Redeemed to date	560,000	490,000
	1,092,000	1,162,000
6¼% Sinking fund debentures, series "C", due October 15, 1977	7,500,000	7,500,000
Sinking fund requirements— $375,000 on October 15, 1958 to 1976		
Redeemed to date	3,000,000	2,625,000
	4,500,000	4,875,000
	5,592,000	7,937,000
Funded Debt		
Maturing within one year	647,000	2,345,000
Not maturing within one year	4,945,000	5,592,000
	$5,592,000	$7,937,000

Statistical review

	1965	1964	1963	1962
Sales	*$133,867,306*	$112,402,000	$100,279,000	$110,009,000
Income Taxes	*$ 5,830,000*	$ 3,720,000	$ 1,700,000	$ 1,690,000
Net Earnings	*$ 5,183,196*	$ 3,536,276	$ 1,896,605	$ 1,641,526
Preferred Share Dividends	*$ 144,373*	$ 162,010	$ 181,709	$ 181,709
Common Share Dividends	*$ 1,728,732*	$ 1,114,327	$ 809,874	$ 809,874
Earnings per Common Share	*$6.19*	$4.15	$2.11	$1.80
Dividends per Common Share	*$1.75*	$1.25	$1.00	$1.00
Cash Flow per Common Share	*$10.23*	$7.69	$4.94	$5.00
Book Value per Common Share	*$37.74*	$32.86	$30.11	$29.00
Working Capital	*$ 18,237,575*	$ 15,016,839	$ 18,814,150	$ 19,164,278
Bank Advances	*$ 16,819,173*	$ 11,037,604	$ 8,677,882	$ 14,171,756
Funded Debt	*$ 5,592,000*	$ 7,937,000	$ 8,782,000	$ 9,627,000
Capital Expenditures	*$ 6,096,000*	$ 6,876,000	$ 4,002,553	$ 2,338,648
Depreciation	*$ 3,292,073*	$ 2,874,391	$ 2,289,612	$ 2,585,837
Common Shares Issued	*813,874*	811,874	809,874	809,874
Common Shareholders	*4,430*	4,404	5,062	5,231
Employees	*5,261*	4,240	4,210	4,725

1961	1960	1959	1958	1957	1956
$100,801,000	$101,346,000	$105,712,000	$ 88,255,000	$ 85,277,000	$ 86,766,000
$ 1,235,000	$ 1,724,587	$ 1,790,140	$ 2,226,637	$ 2,302,475	$ 3,793,800
$ 2,152,187	$ 1,736,264	$ 463,635	$ 2,454,983	$ 2,484,188	$ 4,383,919
$ 181,709	$ 181,709	$ 187,108	$ 205,300	$ 207,236	$ 159,375
$ 809,874	$ 911,108	$ 1,209,089	$ 1,136,603	$ 1,079,500	$ 1,056,994
$2.43	$1.92	$0.34	$2.84	$3.15	$5.94
$1.00	$1.12 1/2	$1.50	$1.50	$1.50	$1.50
$5.66	$4.72	$3.21	$5.72	$6.47	$8.06
$28.20	$26.76	$25.97	$26.91	$27.86	$26.23
$ 17,561,688	$ 17,583,989	$ 16,996,670	$ 21,156,927	$ 21,447,432	$ 19,805,794
12,448,649	$ 14,017,666	$ 17,926,195	$ 17,542,857	$ 14,050,478	$ 8,598,558
$ 10,472,000	$ 12,266,500	$ 13,177,000	$ 14,092,000	$ 14,057,000	$ 7,382,692
$ 1,991,072	$ 1,417,626	$ 4,690,931	$ 2,284,317	$ 7,805,263	$ 2,886,627
$ 2,613,399	$ 2,266,468	$ 2,319,885	$ 2,288,494	$ 2,394,627	$ 1,512,018
809,874	809,874	809,874	793,218	722,254	711,475
5,327	4,850	4,712	4,725	4,860	4,998
4,670	5,172	5,421	5,045	4,859	5,251

Financial review

Substantial increases in both sales and earnings are responsible for some significant changes in the accompanying financial statements.

The Company's working capital position increased $3,220,736 to $18,237,575.

Accounts receivable, the largest single asset figure, increased 16% following the trend of a 19% rise in shipments. In keeping with the pattern in the markets served, which includes holdbacks on large contracts, receivables required a large utilization of cash. There was, however, an improvement in the aging of accounts and a continuation of very low losses from bad debts.

Inventories were 25% higher than the corresponding amounts at the previous year end. This can be expected with the higher level of production and large backlog of orders. Inventories are considered well valued, free from obsolescence and deterioration and the turnover rate was high in relation to sales.

The book figure for net fixed assets increased only $1,099,539 although $6,096,000 was actually spent on new capital additions. The difference is due to $3,292,073 which was charged for depreciation, the sale of surplus land with a book value of $643,000, and a write-off of buildings and equipment of $1,061,388.

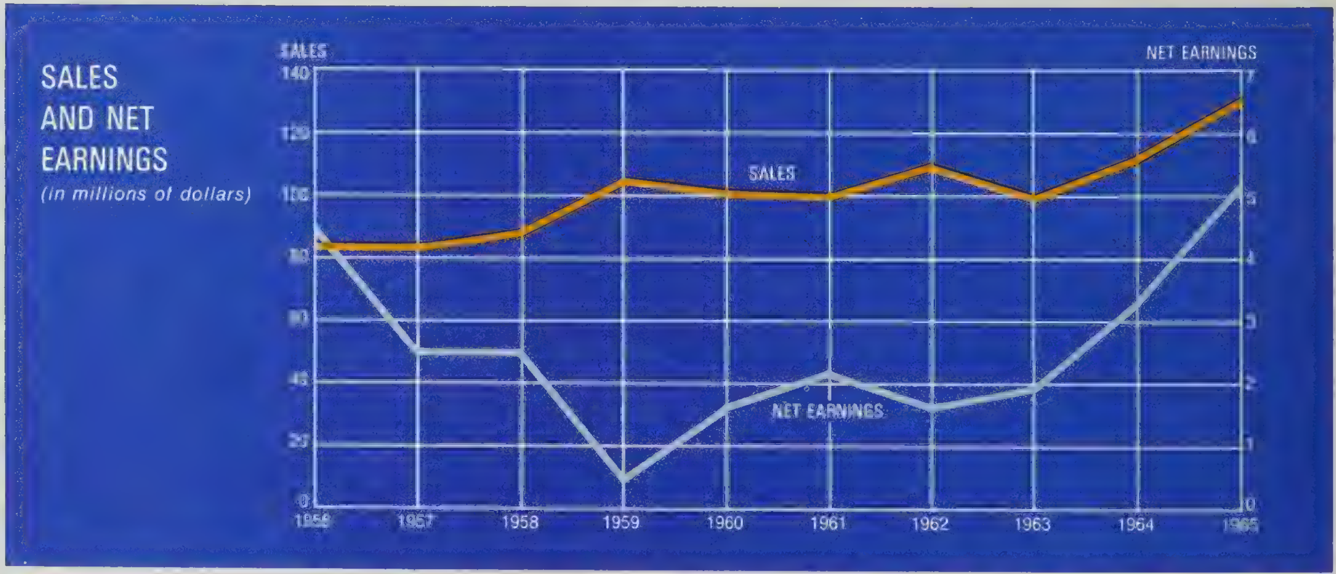
Total debt at $22,411,173 increased $3,436,569 because additional funds were needed for the higher volume of business. A conservative relationship between debt and accounts receivable was maintained. During the year $2,345,000 of funded debt was retired and bank advances increased $5,781,569.

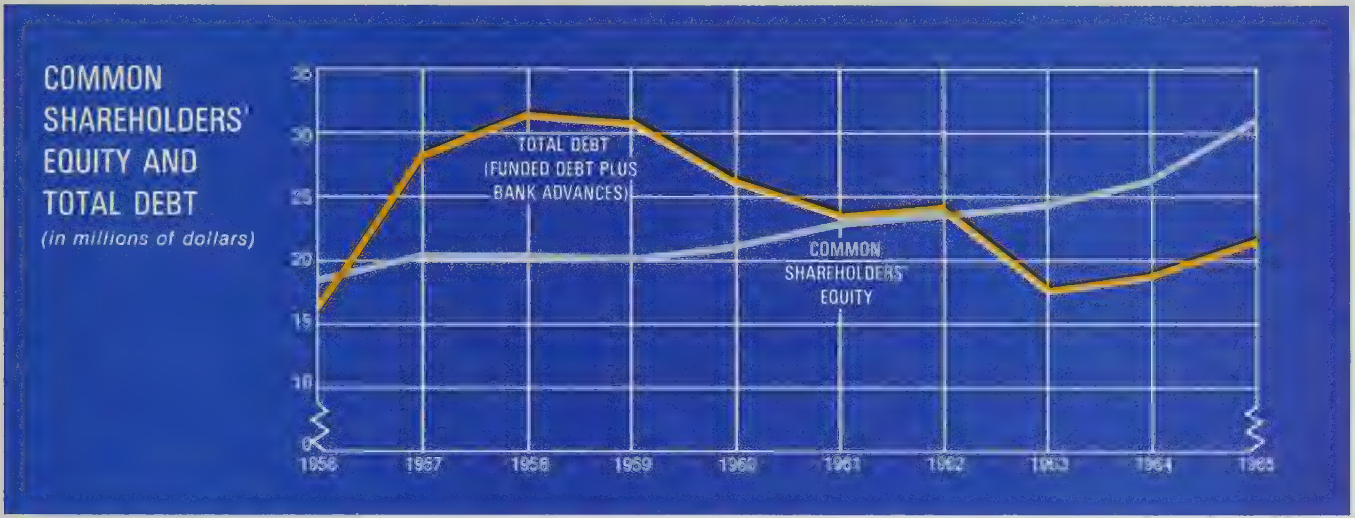
The increase of $1,475,000 in the deferred income tax account bringing the total to $3,900,000 is explained as follows:

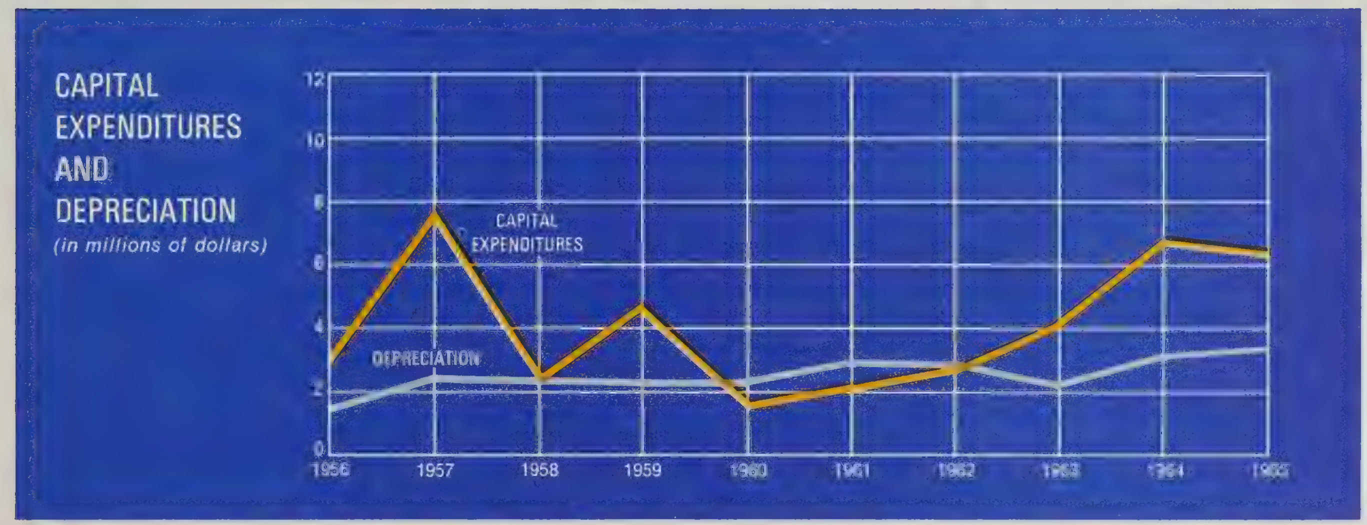
1. The capital cost allowance claimed for tax purposes over the past three years exceeded depreciation recorded in the books which accounts for $1,950,000 of the total deferment and will be applicable in the future when allowances claimed for tax purposes are less than depreciation recorded in our books. The deferment in 1965 amounted to $1,000,000.
2. The balance of tax deferment results from the progress payment method of calculating income tax for contract sales. These short term deferments vary with the status of contracts at the close of each fiscal period.

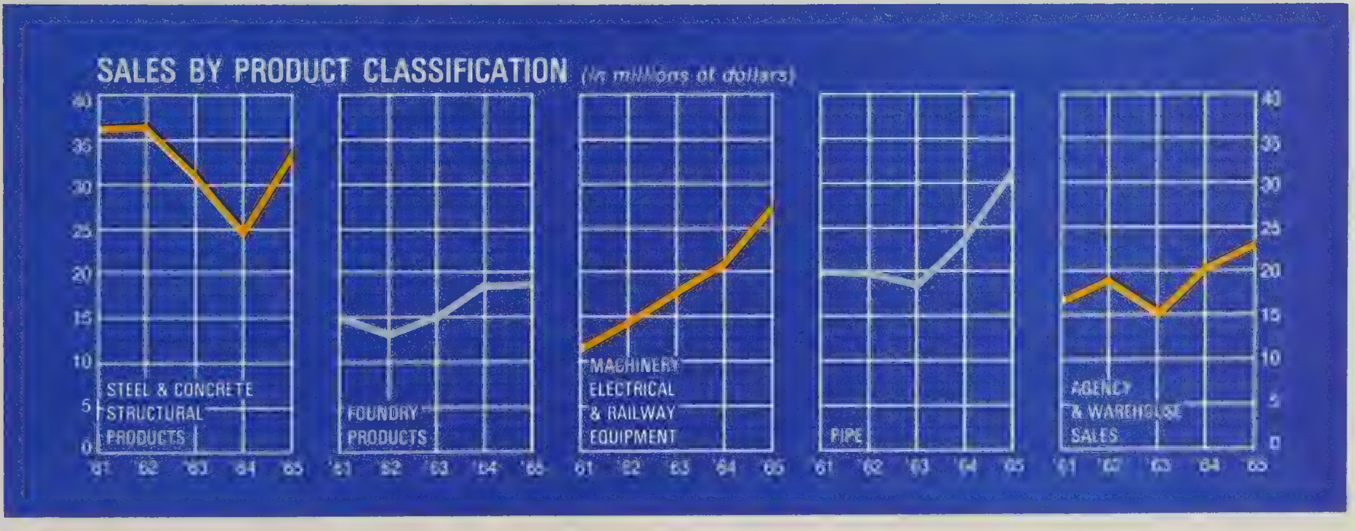
During the year, 5,760 of the Company's preferred shares at a par value of $576,000 were purchased on the open market and retired. The number of shares retired to date is estimated to be one year ahead of the required schedule.

Income received from the sale of land and the disposal of a number of buildings and excess machinery exceeded the net book value of these assets by $910,918. This was considered a non-recurring profit in the current year and therefore credited directly to retained earnings. Consistent with former accounting procedure, the amount paid in excess of the book value for shares of Northern Resins Limited which were acquired during the year was written off and shows as a reduction of $198,192 in the retained earnings account. Undistributed profits, along with the above adjustments, resulted in an increase in the book value of the common shares of the Company by $4.88 to $37.74 at year end. The after-tax return on the common shareholders' equity was 16.4% in 1965.



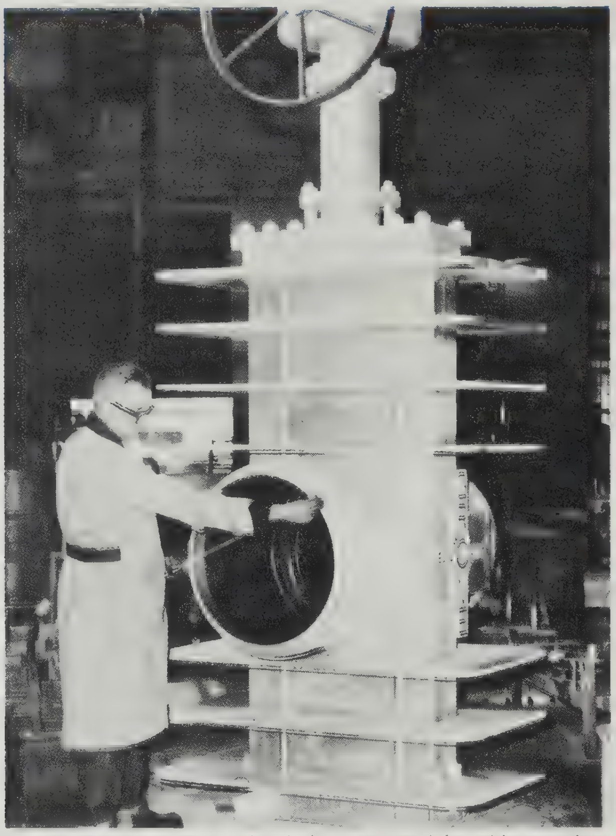

COMMON SHAREHOLDERS' EQUITY AND TOTAL DEBT
(in millions of dollars)
TOTAL DEBT (FUNDED DEBT PLUS BANK ADVANCES)
COMMON SHAREHOLDERS' EQUITY
1956
1957
1958
1959
1960
1961
1962
1963
1964
1965


CAPITAL EXPENDITURES AND DEPRECIATION
(in millions of dollars)
CAPITAL EXPENDITURES
DEPRECIATION
1956
1957
1958
1959
1960
1961
1962
1963
1964
1965


SALES BY PRODUCT CLASSIFICATION (in millions of dollars)
STEEL & CONCRETE STRUCTURAL PRODUCTS
FOUNDRY PRODUCTS
MACHINERY ELECTRICAL & RAILWAY EQUIPMENT
PIPE
AGENCY & WAREHOUSE SALES

Steel short-span bridge, located North of Calgary, Alberta, on Canadian Route 2. Designed and owned by the Province of Alberta, the bridge was fabricated and erected by Canada Iron.

Operating review



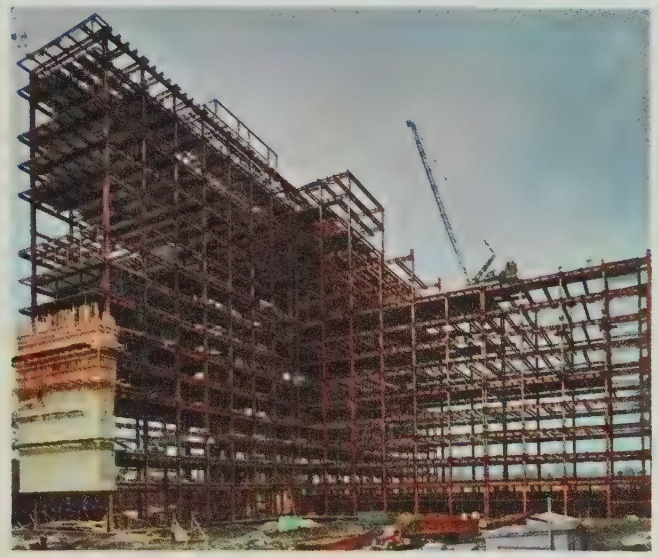
A 12½-foot high gate valve being prepared for shipment from Trois-Rivières plant to Montreal Pipeline Company.

Canada Iron Ingot Moulds being stripped from the solidified hot steel ingots at the plant of a primary steel producer. Canada Iron manufactures ingot moulds in weights ranging from 400 lbs to 22 tons.

Installation of 48" dia. "Hyprescon" prestressed concrete pipe for the Lake Huron-London water pipeline. Canada Iron is supplying thirty miles of pipe for this project.

Fire hydrants being assembled at Canada Iron's plant for use in Municipalities across Canada.

One of eleven steel hydraulic gates, each weighing 57 tons, fabricated by Canada Iron for the South Saskatchewan River Dam.



The Minister of Justice Building, Montreal, Quebec. 9,300 tons of steel for this 14-storey building were fabricated and erected by Canada Iron.

ELECTRICAL EQUIPMENT

There was a substantial increase in sales of larger motors, generators and engineered electrical drive systems. Work on the traction motors and controls for the Montreal Metro subway cars progressed satisfactorily and by year-end one-third of the $8 million order was produced. The order will be completed during 1966. A $3½ million order for generators was received from a United States defence programme and is scheduled to run through 1967.

A great deal of new design work was carried out in the generator and engineered electrical drive systems. The programme to equip the Lachine plant with specialty, high-capacity machine tools progressed favourably. The transfer of Railway Division headquarters to the new South Carolina plant will permit re-arrangement and expansion of production facilities for electrical equipment.

RAILWAY MAINTENANCE EQUIPMENT

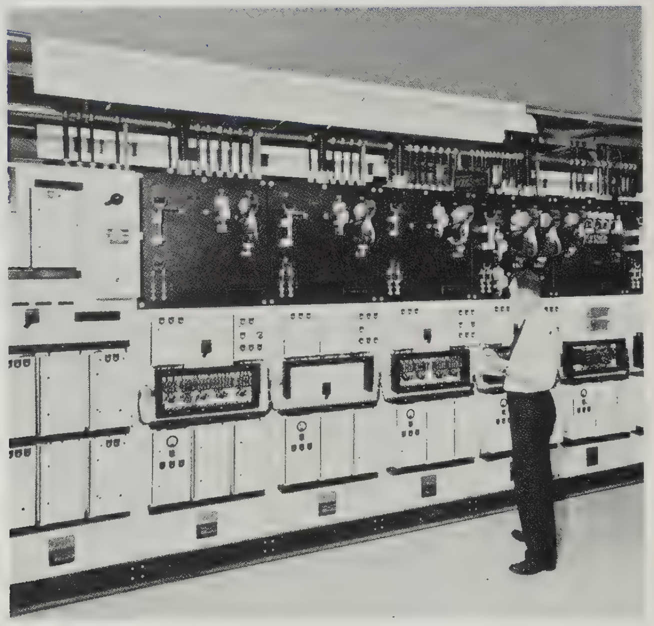
The Company's railway track maintenance equipment has established a leading reputation throughout the world. A large part of the success is due to continuous development of products which are protected by patents. Export sales are steadily rising and new markets in Australia and South America are now well established. Inability to adequately supply the U.S. market due to manufacturing space limitations will be overcome by the building of the South Carolina plant which is scheduled to be in operation by mid-1966.

IRON AND CONCRETE PIPE

The increased need for more effective utilization of water resources resulted in record demand for water pipe. One of the substantial orders was a $4.5 million contract received from the Ontario Water Resources Commission to supply thirty miles of 48" Hyprescon concrete pressure pipe for the Lake Huron-London pipeline.

To meet anticipated strong demand and maintain the Company's position as the largest manufacturer of these products, continuous improvements are being made to the pipe-making facilities. Additional capacity was installed at the Rexdale concrete pressure pipe plant. Extensive modernization of the Trois-Rivières iron pipe plant which was delayed by heavy production requirements, will be completed early in 1966. Improved melting facilities are also planned for the Toronto iron pipe plant next year. With pipe made from iron, concrete and the recent entry into the plastics field, water pipe is available for a wide range of applications.

Sales of concrete sewer pipe rose satisfactorily over those of last year. The development of a new joint design is expected to give further impetus to sales.



Control panel of a paper machine drive system providing extremely fine speed regulation for the production of Kraft and crepe tissue paper. Designed and manufactured by Canada Iron.

85-foot dia. antenna and pedestal for Canada's first communication satellite tracking station at Mill Village, N.S. Manufactured and installed by Canada Iron.

STRUCTURAL STEEL PRODUCTS

The building boom sharply increased the demand for structural steel over that of the last three years. The Company's seven fabricating plants which serve the construction industry from coast to coast operated at near capacity levels throughout the year.

The size of jobs varied from large multi-million dollar buildings, industrial plants and bridges to relatively small warehouses and sales of reinforcing steel bars. The type of work included such specialty projects as troposcatter antennae, micro-wave towers, bridges and power station gates. Another year of increased activity is indicated from the current backlog of orders and projects now in the design stage.

MACHINERY AND MECHANICAL EQUIPMENT

Machinery shipments from the Trois-Rivières plant also continued at a high level and the year ended with a heavy backlog of orders. The demand for pulp mill equipment accelerated during the year and shipments of drum washers and equipment for pulp bleach plants increased sharply. Sales of press brakes, shears and other specialized metal-working equipment showed steady growth. Production facilities have been expanded to keep pace with increasing sales of large valves to the oil and gas industries. The combination of the company's steel fabricating and machinery manufacturing facilities has encouraged expansion into markets for conveyors, cranes, shiploaders, cargo containers and hydraulic dam gates.

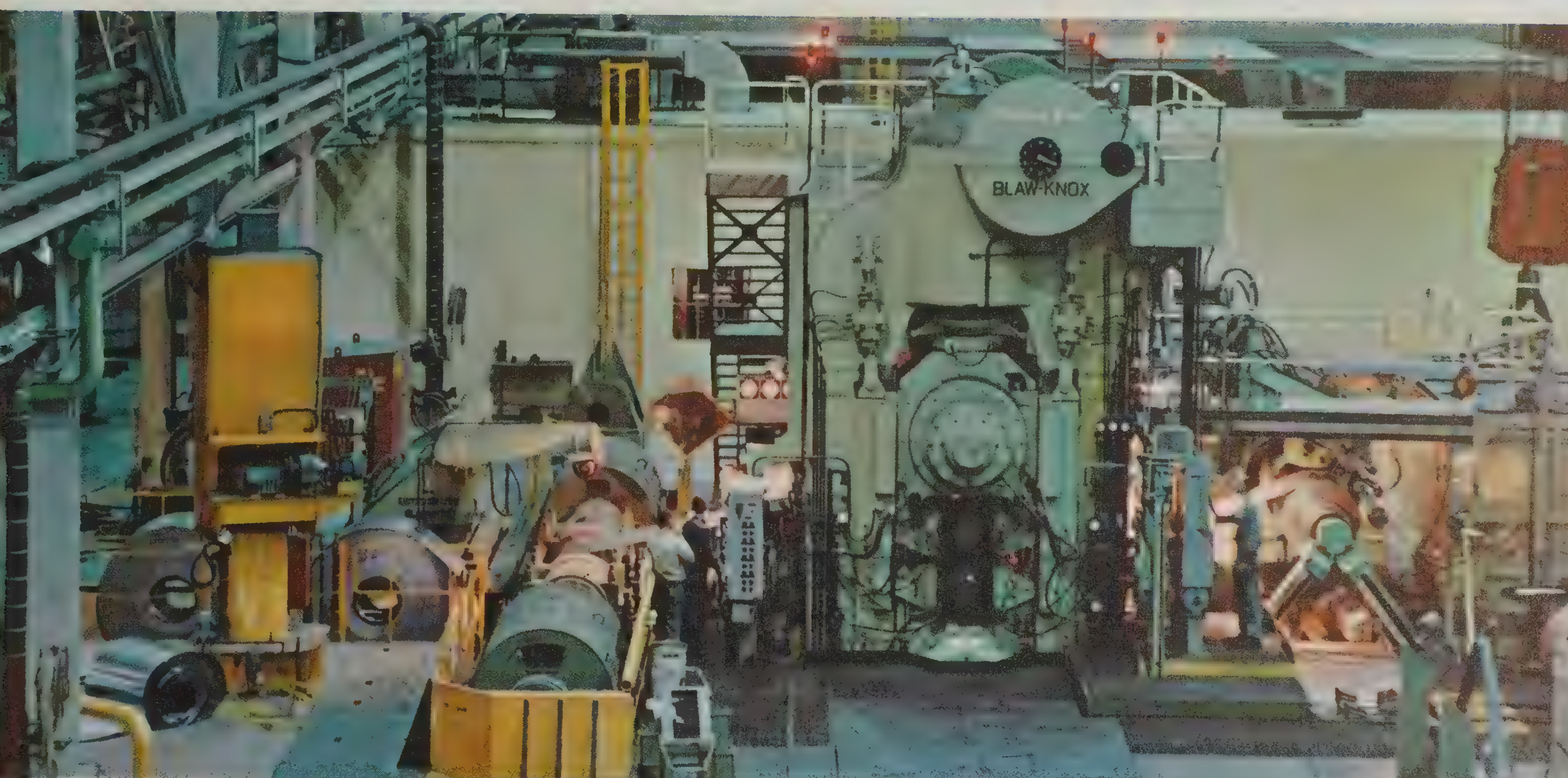
FOUNDRY PRODUCTS

The demand of the steel industry for ingot moulds continues to grow. The facilities of the ingot mould foundry at Hamilton are being increased and adapted to the production of much larger moulds. Additional orders for cast iron segments for a New York City tunnel project and cast iron liners for the Toronto subway extension resulted in a year of high activity at the Toronto foundry.

Essential capital expenditures include the erection of a new stool foundry at Special Products plant, the installation of the largest cupola in Canada at the ingot mould plant, and a series of mechanical improvements at the St. Thomas plant.

A new Domite laminated wear plate for which Canadian and U.S. patents are being secured, has been successfully introduced. The outlook for sales growth of this product and specialty castings is considered excellent.

An intensive research investigation of applications for iron alloys has been undertaken and further similar programmes are planned for the future.



80" wide temper mill, manufactured by Canada Iron in collaboration with the Blaw-Knox Company for a large steel producer in Ontario.

Canada Iron's "Autojack Electromatic Tamper with Autoliner" in operation on a Canadian railway line. The machine simultaneously lifts, levels, lines and tamps the railway track.

Canada Iron "Minster" 600-ton press performing multiple operations in the plant of a Canadian automotive parts manufacturer.

150 HP traction motors for the new Montreal Metro subway cars—over 1,000 are being manufactured by Canada Iron along with control units and generator sets. Dellner Couplers, shown at right, were supplied for the same project by the Company's sales agency division, Railway & Power Engineering Corporation, Limited.

AGENCY AND WAREHOUSE SALES

Sales of Railway and Power Engineering Corporation, Limited, increased satisfactorily over those of 1964. This division, with coast-to-coast warehouse and sales office facilities, distributes a wide range of aircraft, chemical, electrical, mining and general industrial supplies and equipment.

Sales of roller bearings and specialty items to railways and to the Montreal and Toronto subway systems were substantial and are expected to continue well into 1966. The prospect is excellent for maintenance of a high sales volume of molybdenum and imported stainless steel products during the year ahead. The exclusive sales agency agreement with Canadian Controllers Limited was terminated late in 1965 which will result in a loss of sales revenue. This will be offset by the acquisition of new product lines. Studies are now under way to arrange Canadian assembly and fabrication of some of the imported products which this company distributes in order to increase Canadian content and improve deliveries.

PERSONNEL

Late in 1965, following the announcement of details of the Canada and Quebec pension plans, the Canada Iron Retirement Plan was suitably amended. Existing benefits are being maintained and new benefits incorporated to provide assistance to widows and orphans of employees. The company plan is non-contributory on earnings up to yearly maximum pensionable earnings as defined in the government plans and contributory on earnings above that level.

During 1965, fourteen labour agreements were subject to negotiation, thirteen of which have been satisfactorily concluded for periods ranging from one to three years. Negotiations are continuing with respect to the remaining agreement.

The steady trend towards engineered products has increased the company's need for professional and technical employees. Current personnel policies, which include selective recruiting and training programmes, will assist in the solution of manpower problems.

Seventy-five senior personnel attended the annual management seminar. These seminars have proven to be highly beneficial not only as an educational medium but also as a means of communicating corporate policies and objectives.

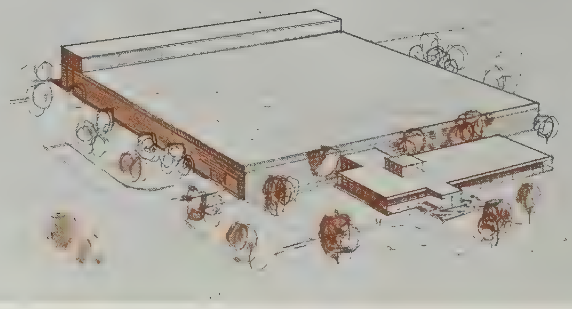
Canada Iron

PLANTS

Dartmouth, N.S.
Trois-Rivières, Que.
Berthierville, Que.
Ville d'Anjou, Que.
Lachine, Que.
Ottawa, Ont.
Toronto, Ont. (5)
Hamilton, Ont. (2)
St. Thomas, Ont.
Winnipeg, Man.
Edmonton, Alta.
Calgary, Alta.
Vancouver, B.C.
Columbia, S.C.

NEW PLANT Columbia, South Carolina.

Architects' sketch of the exterior of the 125,000 sq. ft. plant showing how the administrative offices and overall plant will look when completed in 1966.



PRODUCTS

ELECTRICAL EQUIPMENT

Electric Motors, A.C. & D.C.
Generators, A.C. & D.C.
Motor-Generator Sets, A.C. & D.C.
Variable Speed Drives
- A.C. & D.C.
- Mechanical
- Variable Frequency Control
- Torque Motor Control
- Packaged Power Supplies

PIPE & RELATED PRODUCTS

Gray Iron Pipe
Ductile Iron Pipe
Concrete Pressure Pipe
Sewer and Culvert Pipe
Fittings
Municipal Castings
Hydrants
Sluice Gates
'Walworth' Plug Valves
'Grove' Ball and Gate Valves

FOUNDRY PRODUCTS

Ingot Moulds
Brake Shoes
Industrial Wheels
Tunnel Liners
Gray Iron Castings
Alloy Iron Castings
- Ductile Iron
- Domite CM
- Ni-Resist
- Ductile Ni-Resist
- Ni-Hard
- High Chrome Alloy

MACHINERY

Custom Machinery
'Pacific' Hydraulic Press Brakes
'Pacific' Hydraulic Shears
'Minster' Mechanical Presses
Steel Mill Machinery
Pulp and Paper Mill Machinery
Rubber and Plastics Machinery
'Farrel' Speed Reducers
and Increasers

STRUCTURAL PRODUCTS

Structural Steel for
Buildings and Bridges
(fabrication & erection)
Steel Joists
Reinforcing Steel
Warehouse Steel
Towers
Hydraulic and Control Gates
Bulk Loading Terminals
Conveyor Systems
Scatter Antennae
Tanks and Plate Work

RAILWAY TRACK MAINTENANCE EQUIPMENT

Fully Automatic Ballast Tampers
Power Tamping Jacks
Track Liners
Spike Pullers and Drivers
Cross-tie Renewers
Rail Bolters, Drills and Lubricators

SALES AGENCY PRODUCTS

Instrumentation and
Electronic Products

Pumps

Stainless Steels

Rail, Bus, Truck and
Aviation Products

Electrical Motor
Control Apparatus

Hydraulic and Pneumatic Products

Materials Handling Equipment

DIVISIONS & SUBSIDIARIES

EASTERN STRUCTURAL DIVISION
Montreal, Que.
M. A. Leishman
General Manager

ELECTRICAL DIVISION
Lachine, Que.
K. C. Hague
General Manager

FOUNDRY DIVISION
Toronto, Ont.
G. D. Turnbull
General Manager

MECHANICAL DIVISION
Lachine, Que.
D. J. La Fontaine
General Manager

PIPE DIVISION
Montreal, Que.
R. Lyle
General Manager

PRAIRIE STRUCTURAL DIVISION
Edmonton, Alta.
C. W. Carry
General Manager

RAILWAY DIVISION
Lachine, Que.
J. K. Stewart
General Manager

WESTERN BRIDGE DIVISION
Vancouver, B.C.
I. L. Hamilton
General Manager

RAILWAY & POWER ENGINEERING CORPORATION, LIMITED
Montreal, Que.
C. M. Thomson
Vice-President and General Manager

NORTHERN RESINS LIMITED
Berthierville, Que.
G. Fredette
President

TAMPER, INC.
Columbia, South Carolina
J. K. Stewart
President